

# Defined Contribution Pension Plan Follow Up Letter

vol. **03**  
2018 FY

For DC plan administrators,  
plan sponsors and members

# Understanding Your Money Plan

## Brush Up Quiz! Economic / Money Sense

Take our quiz on topics related to frequently mentioned fundamental financial issues and test your economic knowledge and money sense.

## A Money Plan That Makes Sense

This edition's theme: "Slightly more than 50% of the assets of the defined contribution (DC) plan are managed with principal-guaranteed products".

## Money for Life Events

We will introduce data on money. This time, the topic is "Marriage Costs".

## Brush Up Quiz! Economic / Money Sense

Take the Money Quiz!

**Q 1** In a market where stock prices continue to rise, which of the following terms commonly refer to a strong or rising market?

**A** Bull Market    **B** Bear Market    **C** Dynamic Market

**Q 2** What is the size of the inheritance market in Japan's "hyper-aged" society?

**A** Approx. 30 trillion yen    **B** Approx. 46 trillion yen  
**C** Approx. 72 trillion yen



**Q1**  
The Answer is  
**A▶**

A Bull Market is one in which the market continues to rise, sometimes referred to as a strong market or a rising market. A bull raises its horns high or attempts to thrust its horns up in the air from low to high when attacking, and it is said that this action resembles the movement of the stock market, hence the term "bull market" was coined. On the other hand, a weak or falling market is referred to as a "bear market". The behavior of the declining market resembles that of a bear swiping down with its paw, and hence the term "bear market" was coined.



**Q2**  
The Answer is  
**B▶**

According to a survey conducted in December 2016 by the Fidelity Investor Education Institute on 5,000 heirs who received inheritance within the past five years, the average inheritance amount was 35.48 million yen. Pursuant to this and annual deaths of 1.3 million (Ministry of Health, 2015), the inheritance market is estimated to be approximately 46 trillion yen annually. It is understood that 51% of this is in cash and deposits, 30% in real estate, and 15% in securities, meaning that more than half consists of cash and deposits.

## A Money Plan That Makes Sense

3rd  
round

**Slightly more than 50% of the assets of the defined contribution (DC) plan are managed with principal-guaranteed products.**



**Is this asset allocation appropriate?**

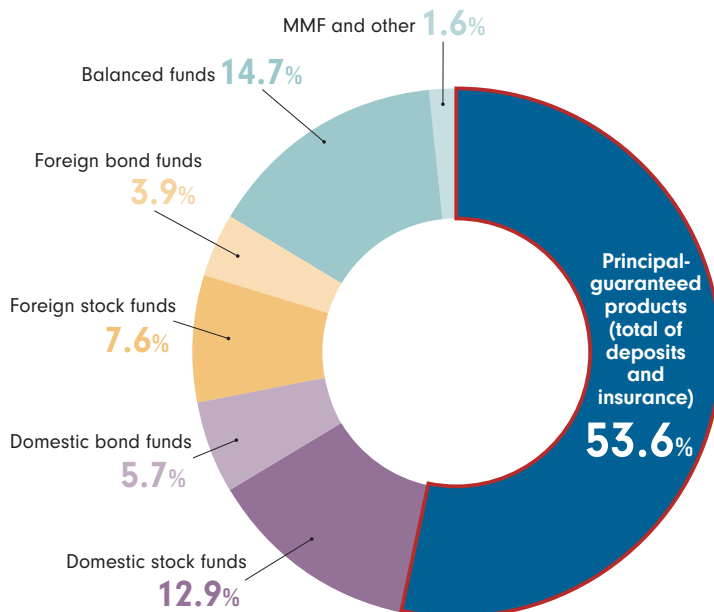
1

### How do you manage your DC allocation?

As many readers are no doubt aware, DC is a pension plan in which members allocate assets at their own discretion and manage the allocation contributed by the Company. If this is effectively managed, it can be advantageous in accumulating assets for their post-retirement life. So, what is the allocation of assets currently managed by DC? Figure 1 below indicates the asset allocation status of members currently participating in the corporate DC pension plan<sup>\*1</sup>. It indicates that principal-

guaranteed products such as deposits and insurance account for just over 50% with the remainder being investment trusts and others. Given the low yield of principal-guaranteed products, in a situation where the ratio of these products is so high, it is a little concerning as to whether a sufficient amount of post-retirement funds can truly be secured. Please also take a moment to consider the risks of managing with an emphasis on not reducing investment capital.

**Figure 1 : Corporate DC Pension Plan Members' Asset Allocation (as of the end of March, 2017)<sup>\*1</sup>**



**At present, principal-guaranteed products account for approximately half (53.6%) of the asset allocation of those members participating in the Corporate DC pension plan. Is it appropriate to manage the DC so as not to reduce investment capital?**



<sup>\*1</sup> Allocation status as of the end of March, 2017, according to the Defined Contribution Plan Statistics of the DC Plan Administrator Association. Percentage is based on the amount (yen).

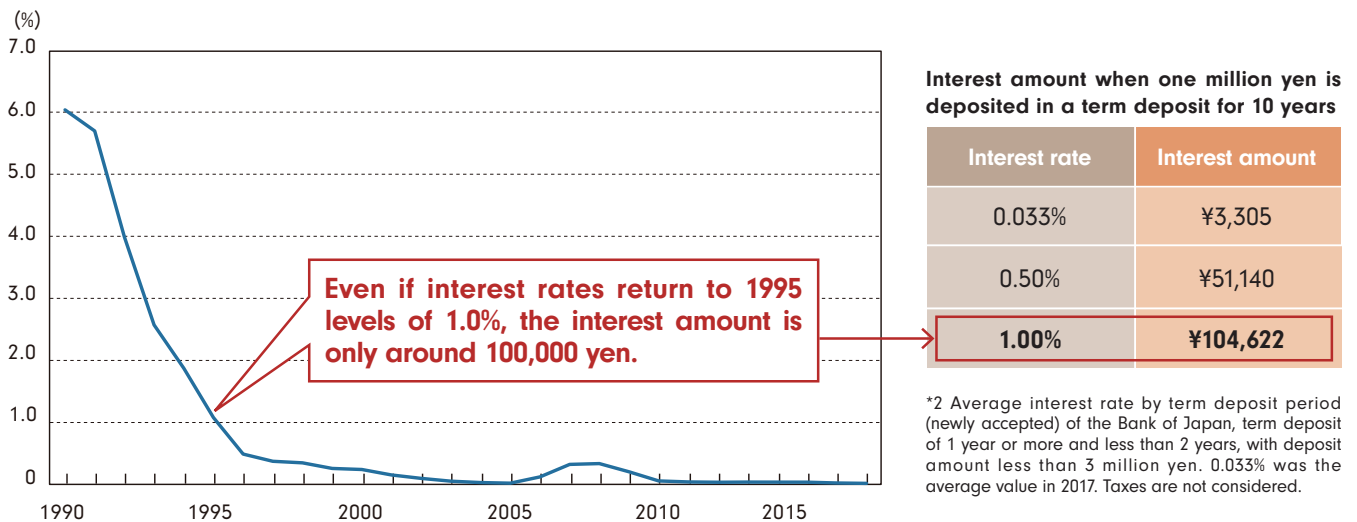
## 2

**In a prolonged low-yield environment, it is difficult to grow money simply by holding deposits and savings. Moreover, if inflation accelerates, the value of money decreases.**

Term deposit interest rates in Japan, which were once around 6%, are now at an ultra-low level of close to 0%. If 1 million yen is deposited as a term deposit for 10 years at the current interest rate, it would only earn 3,305 yen in interest.

Furthermore, as inflation (rising prices) advances, the value of money declines. The value of deposits and savings may also decline, so much so that items cannot be purchased at the same price as previously.

**Figure 2 : Trends in Interest Rates on Term Deposits<sup>\*2</sup>**



**Figure 3 : Changes in the prices of goods<sup>\*3</sup>**

The prices of goods have risen moderately.

	Instant noodles Chinese Noodles Type (contains 77g) "cup noodles"	White Bread One Loaf (Approx. 340g)	Dry Cleaning Costs (1x business shirt)	Movie Admission Fee (General)	Air Fare (Tokyo→Sapporo) (Adult, one way, normal airfare)
1980	¥60	¥107	¥178	¥1,357	¥23,400
2016	¥153	¥148	¥232	¥1,800	¥34,325

<sup>\*3</sup> Created by FIL Investment (Japan) based on the date from the Ministry of Internal Affairs and Communications "Retail Price Survey (Retail Prices of Major Items for the Tokyo Metropolitan Area)".

## 3

**Please make full use of the defined contribution pension plan.**

The defined contribution pension plan is a system for creating valuable assets for your post-retirement life. Even without specialized knowledge, a mechanism is incorporated to manage assets in a stable manner. Together, let's learn about this pension plan.

**Let's skillfully leverage the defined contribution plan, and ensure a solid financial foundation for the future.**



## Marriage Costs

"What is the average cost of  
holding a wedding?"



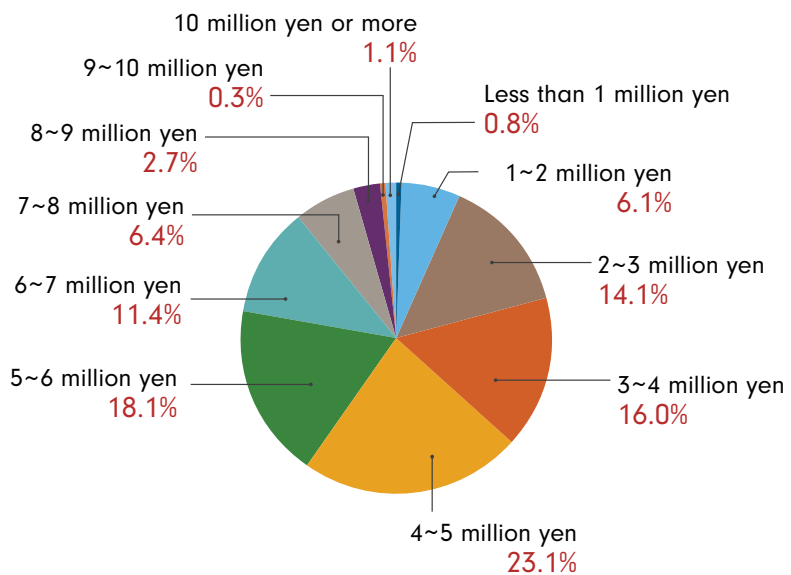
Approx. **4.842** million yen

Source: Recruit Marketing Partners Co., Ltd. Bridal Sōken  
"Zexy Wedding Trend Survey 2017 (in the Tokyo metropolitan area)"

"How much money should I prepare for marriage?" According to Recruit Marketing Partners Co., Ltd., "Wedding Trend Survey 2017 (in the Tokyo metropolitan area)", the total amount of expenses incurred from engagement / wedding through the honeymoon trip is on average 4,842,000 yen (estimated value). In the 2016 survey, it was over 5 million yen, but this year it fell to the 4 million yen range again.

In addition, a couple's savings for marriage expenses (betrothal, wedding ceremony, wedding reception / party, "after" party, honeymoon) is 3,076,000 yen on average, so saving is indispensable.

### How much did it cost from the betrothal / engagement through the honeymoon?



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Source: Recruit Marketing Partners Co., Ltd. Bridal Sōken. "Zexy Wedding Trend Survey 2017 (in the Tokyo metropolitan area)"

\* The content is shown for illustrative purposes only and may differ depending on the adopted assumptions, so please consult with experts as necessary.